

**THE COMMUNITY FOUNDATION OF
SOUTHERN NEW MEXICO**

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2013 AND 2012

THE COMMUNITY FOUNDATION OF SOUTHERN NEW MEXICO

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2013 AND 2012

C O N T E N T S

	<u>Page</u>
Independent Auditor's Report	1
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	6
Statements of Cash Flows	8
Notes to Financial Statements	9

600 SUNLAND PARK, 6-300
EL PASO, TX 79912

P 915 356-3700
F 915 356-3779
W GRP-CPA.COM



INDEPENDENT AUDITOR'S REPORT

The Board of Directors of
The Community Foundation of Southern New Mexico

We have audited the accompanying financial statements of The Community Foundation of Southern New Mexico (a nonprofit organization), which comprise the statements of financial position as of December 31, 2013 and 2012 and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Community Foundation of Southern New Mexico as of December 31, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Gibson Ruddock Patterson LLC

El Paso, Texas

April 22, 2014

THE COMMUNITY FOUNDATION OF SOUTHERN NEW MEXICO

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2013 AND 2012

ASSETS	2013	2012
Current assets		
Cash	\$ 990,983	\$ 373,251
Pledges receivable-current portion	3,327	7,399
Grant receivable	80,020	30,481
Accounts receivable	3,346	3,346
Land held for investment	165,000	165,000
Other assets	754	187
Total current assets	<u>1,243,430</u>	<u>579,664</u>
Capital assets, net	3,793,794	3,907,653
Pledges receivable-long term	2,270	11,000
Accounts receivable -long term	145,839	145,839
Cash surrender value	97,925	93,690
Cash restricted for endowments	39,286	57,398
Investments	9,837,641	8,650,514
Beneficial interest in remainder trusts	264,168	254,246
Fine art	202,668	202,668
Total other assets	<u>14,383,591</u>	<u>13,323,008</u>
Total assets	<u><u>\$ 15,627,021</u></u>	<u><u>\$ 13,902,672</u></u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 77,472	\$ 33,488
Accrued payroll and related expenses	23,801	8,067
Custodial accounts	281,254	43,044
Due to First Step Center	168,789	174,038
Total current liabilities	<u>551,316</u>	<u>258,637</u>
Endowments held for agencies	<u>436,746</u>	<u>422,696</u>
Unrestricted	6,780,629	6,493,548
Temporarily restricted	2,439,748	1,558,483
Permanently restricted	<u>5,418,582</u>	<u>5,169,308</u>
Net assets	<u>14,638,959</u>	<u>13,221,339</u>
Total liabilities and net assets	<u><u>\$ 15,627,021</u></u>	<u><u>\$ 13,902,672</u></u>

See accompanying notes to financial statements.

THE COMMUNITY FOUNDATION OF SOUTHERN NEW MEXICO

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2013

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and Revenues				
Public support				
Contributions	\$ 74,537	\$ 348,412	\$ 182,098	\$ 605,047
In kind donations	425,000	-	-	425,000
Grants	-	856,381	-	856,381
	499,537	1,204,793	182,098	1,886,428
Revenues				
Special events	84,025	-	-	84,025
Net investment income	69,313	1,051,889	67,176	1,188,378
Unrealized gain on trusts	-	9,922	-	9,922
Management fee income	63,339	-	-	63,339
	216,677	1,061,811	67,176	1,345,664
Total support and revenues	716,214	2,266,604	249,274	3,232,092
Net assets released from restrictions	1,385,339	(1,385,339)	-	-
Total public support and revenues	2,101,553	881,265	249,274	3,232,092
Expenses				
Program	1,596,639	-	-	1,596,639
Administrative	104,674	-	-	104,674
Fundraising	113,159	-	-	113,159
Total expenses	1,814,472	-	-	1,814,472
Change in net assets	287,081	881,265	249,274	1,417,620
Net assets beginning of the year	6,493,548	1,558,483	5,169,308	13,221,339
Net assets, end of year	\$ 6,780,629	\$ 2,439,748	\$ 5,418,582	\$ 14,638,959

See accompanying notes to financial statements.

THE COMMUNITY FOUNDATION OF SOUTHERN NEW MEXICO

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2012

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and Revenues				
Public support				
Contributions	\$ 69,696	\$ 402,948	\$ 2,665,476	\$ 3,138,120
In kind donations	413,333	-	-	413,333
Grants	-	664,356	-	664,356
	<u>483,029</u>	<u>1,067,304</u>	<u>2,665,476</u>	<u>4,215,809</u>
Revenues				
Special events	77,513	-	-	77,513
Net investment income	157,036	821,783	21,719	1,000,538
Loss on sale of assets	(14,619)	-	-	(14,619)
Unrealized gain on trusts	-	2,729	-	2,729
Unrealized gain on insurance policies	11	-	-	11
Management fee income	<u>28,791</u>	<u>-</u>	<u>-</u>	<u>28,791</u>
	<u>248,732</u>	<u>824,512</u>	<u>21,719</u>	<u>1,094,963</u>
Total support and revenues	731,761	1,891,816	2,687,195	5,310,772
Net assets released from restrictions	<u>1,265,186</u>	<u>(1,265,186)</u>	<u>-</u>	<u>-</u>
Total public support and revenues	<u>1,996,947</u>	<u>626,630</u>	<u>2,687,195</u>	<u>5,310,772</u>
Expenses				
Program	1,622,306	-	-	1,622,306
Administrative	72,116	-	-	72,116
Fundraising	<u>102,756</u>	<u>-</u>	<u>-</u>	<u>102,756</u>
Total expenses	<u>1,797,178</u>	<u>-</u>	<u>-</u>	<u>1,797,178</u>
Change in net assets	199,769	626,630	2,687,195	3,513,594
Net assets beginning of the year	<u>6,293,779</u>	<u>931,853</u>	<u>2,482,113</u>	<u>9,707,745</u>
Net assets, end of year	<u>\$ 6,493,548</u>	<u>\$ 1,558,483</u>	<u>\$ 5,169,308</u>	<u>\$ 13,221,339</u>

See accompanying notes to financial statements.

THE COMMUNITY FOUNDATION OF SOUTHERN NEW MEXICO

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2013

	Program	Administrative	Fund raising	Total
Salaries	\$ 284,494	\$ 49,312	\$ 45,519	\$ 379,325
Payroll taxes	22,150	3,839	3,544	29,533
Distributions	378,885	1,000	-	379,885
Scholarships	25,386	-	-	25,386
Conferences	16,650	8,518	15,719	40,887
Community events	24,057	1,580	-	25,637
Supplies	23,973	6,797	109	30,879
Occupancy	26,798	2,941	24,848	54,587
Professional fees	11,326	1,964	1,812	15,102
Contract labor	155,442	40	-	155,482
Telephone	5,416	939	867	7,222
Postage printing and publications	12,621	2,015	6,240	20,876
Miscellaneous	2,083	3,229	6,643	11,955
Rental and maintenance	616	3,094	75	3,785
Insurance	7,790	4,987	1,246	14,023
Advertising and marketing	18,620	3,227	2,979	24,826
Taxes - Other	-	2,391	-	2,391
Technology	16,663	2,891	2,667	22,221
Public information	19,492	-	-	19,492
Travel	13,816	3,323	891	18,030
Utilities	11,502	-	-	11,502
Donation	405,000	-	-	405,000
Annuity	-	2,587	-	2,587
Total expenses before depreciation	1,482,780	104,674	113,159	1,700,613
Depreciation	113,859	-	-	113,859
Total expenses	<u>\$ 1,596,639</u>	<u>\$ 104,674</u>	<u>\$ 113,159</u>	<u>\$ 1,814,472</u>

See accompanying notes to financial statements.

THE COMMUNITY FOUNDATION OF SOUTHERN NEW MEXICO

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2012

	<u>Program</u>	<u>Administrative</u>	<u>Fund raising</u>	<u>Total</u>
Salaries	\$ 217,533	\$ 44,557	\$ 45,012	\$ 307,102
Payroll taxes	22,758	1,860	1,993	26,611
Distributions	538,340	-	-	538,340
Scholarships	22,750	-	-	22,750
Travel and conferences	11,720	5,384	3,188	20,292
Supplies	18,788	3,705	3,969	26,462
Occupancy	8,237	1,260	27,741	37,238
Community events	3,415	-	-	3,415
Professional fees	7,998	2,532	2,713	13,243
Contract labor	156,921	-	-	156,921
Telephone	3,693	728	780	5,201
Postage printing and publications	1,707	316	9,161	11,184
Miscellaneous	6,293	2,582	1,330	10,205
Rental and maintenance	10,512	2,073	2,221	14,806
Insurance	9,487	1,094	1,172	11,753
Advertising and marketing	12,162	2,398	2,569	17,129
Public information	46,303	-	-	46,303
Mammography	4,354	-	-	4,354
Donation	405,000	-	-	405,000
Annuity	-	2,720	-	2,720
Total expenses before depreciation	1,507,971	71,209	101,849	1,681,029
Depreciation	114,335	907	907	116,149
Total expenses	<u>\$ 1,622,306</u>	<u>\$ 72,116</u>	<u>\$ 102,756</u>	<u>\$ 1,797,178</u>

See accompanying notes to financial statements.

THE COMMUNITY FOUNDATION OF SOUTHERN NEW MEXICO

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities		
Increase (decrease) in net assets	\$ 1,417,620	\$ 3,513,594
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	113,859	116,149
Loss on sale of assets	-	14,619
Realized (gain) loss on sale of investments	(3,866)	(3,161)
Unrealized (gain) loss on investments	(743,861)	(679,614)
Increase in cash surrender value	(4,235)	(11)
(Increase) decrease in		
Pledges receivable	12,802	(9,089)
Accounts receivable	-	3,346
Grant receivable	(49,539)	(4,481)
Cash restricted for endowments	18,112	(4,307)
Other assets	(567)	313
Beneficial interest in trusts	(9,922)	(2,729)
Endowments held for agencies	14,050	14,728
Accounts payable	43,984	31,871
Accrued expenses	15,734	(11,612)
Custodial accounts	238,210	(58,944)
Due to First Step Center	(5,249)	4,226
Net cash provided by operating activities	<u>1,057,132</u>	<u>2,924,898</u>
Cash flows from investing activities		
Proceeds from sale of assets	-	15,381
Investment purchases net of sales activity	<u>(439,400)</u>	<u>(2,908,532)</u>
Net cash provided by (used for) investing activities	<u>(439,400)</u>	<u>(2,893,151)</u>
Net increase (decrease) in cash	617,732	31,747
Beginning cash	<u>373,251</u>	<u>341,504</u>
Ending cash	<u>\$ 990,983</u>	<u>\$ 373,251</u>

See accompanying notes to financial statements.

THE COMMUNITY FOUNDATION OF SOUTHERN NEW MEXICO

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2013 AND 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Activities- The Community Foundation of Southern New Mexico (Foundation) is a nonprofit 501(c)(3) corporation whose mission is to improve the quality of life by building, managing and distributing charitable gifts to benefit all citizens of southern New Mexico.

Method of Accounting - These financial statements have been prepared using the accrual basis of accounting.

Financial Statement Presentation - The financial statement presentation follows the recommendation of the Financial Accounting Standards Board Codification. It generally requires that unconditional contributions, pledged or received, be recognized as revenue in the period received. Not-for-profit organizations must distinguish between contributions received that increase permanently restricted net assets, temporarily restricted net assets, and unrestricted net assets. The Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, which represents the expendable resources that are available for operations at management's discretion; temporarily restricted net assets, which represents resources restricted by donors as to purpose or by the passage of time; and permanently restricted net assets, which represents resources whose use by the organization is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the organization unless the Board exercises its variance power privilege.

The endowment agreements call for the setting up of a fund that will be a permanently endowed fund of the Foundation. Each year, the Foundation on a recommendation from the Investment Committee will set aside a certain percentage of the fund or the net income from the prior year for that fund and use for the purposes set out in the agreement. The balance of the principal and any accumulated income will remain permanently invested and will not be invaded for any reason.

Contributions received with donor-imposed restrictions that are met in the same year in which the contributions are received are classified as unrestricted contributions.

Use of Estimates - Preparation of financial statements in conformity with generally accepted accounting principles requires the use of management's estimates and judgements. Accordingly, actual results could differ from those estimates.

Revenue Recognition - The Foundation's main sources of revenue are contributions, investment income and special events. It also receives income by acting as the fiscal agent for various entities.

(Continued)

THE COMMUNITY FOUNDATION OF SOUTHERN NEW MEXICO AND AFFILIATE

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2013 AND 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents - The Foundation considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Allowance for Doubtful Accounts - No allowance for bad debts is maintained as accounts are written off when they are determined to be uncollectible. Generally accepted accounting principles require that an allowance for uncollectible accounts be maintained in lieu of the direct charge-off method. However, in this case management has determined that such an allowance would be immaterial with respect to the financial statements taken as a whole.

Investments - The Foundation follows FASB ASC topic of "Fair Value of Investments." It requires that investments with readily determinable fair values, as defined, be reported in the statement of financial position at fair value with any realized or unrealized gains and losses reported in the statement of activities and changes in net assets.

Property and Equipment - Furniture and equipment is recorded at acquisition cost. Donated assets are reflected as contributions at their estimated value on the date of receipt. Capital expenditures and donated depreciable assets generally in excess of \$1,000 and with an expected useful life of greater than one year are capitalized and depreciated using straight-line rates over the estimated useful lives of the assets acquired.

Advertising Costs - Advertising costs are expenses as incurred. For the years ended December 31, 2013 and 2012 the Foundation incurred \$24,826 and \$17,129, respectively, in advertising costs.

In Kind Donations - Donated goods and services are reported as donations when the services (a) create or enhance nonfinancial assets or (b) would be purchased if they had not been provided by contribution, require specialized skills and are provided by individuals possessing those skills. Donated services in 2013 amounted to \$20,000, of which \$20,000 was for the office space. Donated services in 2012 amounted to \$8,333, of which \$8,333 was for the office space.

The Affiliate allows the 1st Step Center to use its building for \$1 per year. As a result, in kind donation of \$405,000 and in kind donation expense of \$405,000 has been recorded on the books. That amount is believed to be the fair market value of the rental income

Functional Expenses - Direct expenses of a particular program are charged to that program while indirect expenses are allocated to the various programs based upon either time spent or occupancy space utilized by each program.

(Continued)

THE COMMUNITY FOUNDATION OF SOUTHERN NEW MEXICO AND AFFILIATE

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2013 AND 2012

2. CONTRIBUTIONS RECEIVABLE

These unconditional promises to give are to be received by the Foundation and are deemed to be fully collectible by management.

2014	\$	3,327
2015		-
2016		1,270
2017		1,000
Total contributions receivable	\$	<u>5,597</u>

3. INVESTMENTS

Investments as of December 31, 2013 and 2012 are summarized as follows:

	<u>2013</u>		<u>2012</u>	
	<u>Market Value</u>	<u>Cost</u>	<u>Market Value</u>	<u>Cost</u>
Equities	\$ 1,027,176	\$ 868,996	\$ 1,140,988	\$ 1,081,056
Mutual funds	<u>8,810,465</u>	<u>7,962,294</u>	<u>7,509,526</u>	<u>7,050,887</u>
Total	<u>\$ 9,837,641</u>	<u>\$ 8,831,290</u>	<u>\$ 8,650,514</u>	<u>\$ 8,131,943</u>

Net Investment income is summarized as follows:

	<u>2013</u>	<u>2012</u>
Dividends and Interest	\$ 477,133	\$ 347,025
Realized gain (loss) on sale of securities	3,866	3,311
Unrealized gain (loss) on securities	743,861	676,873
Investment expense, broker	<u>(36,482)</u>	<u>(26,671)</u>
Total	<u>\$ 1,188,378</u>	<u>\$ 1,000,538</u>

The Foundation charged an administrative fee to the endowments of \$62,890 and \$48,125 for the years 2013 and 2012, respectively.

(Continued)

THE COMMUNITY FOUNDATION OF SOUTHERN NEW MEXICO AND AFFILIATE

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2013 AND 2012

4. CAPITAL ASSETS

The following is a summary of the changes in capital assets for the year ended December 31, 2013:

Asset Cost	Balance 12/31/12	Additions	Disposals	Balance 12/31/13	Useful Lives
Land and improvements	\$ 1,125,638	\$ -	\$ -	\$ 1,125,638	15 years
Building	3,427,883	-	-	3,427,883	39 years
Medical equipment	107,496	-	-	107,496	5 years
Furniture and equipment	24,541	-	-	24,541	3 - 7 years
	4,685,558	-	-	4,685,558	
<u>Accumulated Depreciation</u>					
Accumulated depreciation	777,905	113,859	-	891,764	
	777,905	113,859	-	891,764	
Capital assets, net of depreciation	\$ 3,907,653	\$ (113,859)	\$ -	\$ 3,793,794	

Depreciation expense recorded during 2013 and 2012 amounted to \$113,859 and \$116,149, respectively.

5. INCOME TAX STATUS

The Internal Revenue Service has determined that the Foundation is a not-for-profit organizations exempt from federal income taxes under Internal Revenue Code section 501(c)(3). Accordingly, no tax liability has been included in the accompanying financial statements.

The Foundation is subject to federal income tax on any unrelated business taxable income, but it did not have any taxable income for the years ended December 31, 2013 and 2012. Accordingly, no provision for income taxes has been recorded.

The Foundation's Forms 990, *Return of Organization Exempt from Income Tax*, for the years ending 2010, 2011 and 2012 are subject to examination by the IRS, generally for three years after they were filed.

6. CASH SURRENDER VALUE

The Foundation is the owner of nine life insurance policies. Total cash surrender value, net of any loans, as December 31, 2013 and 2012 is \$ 97,925 and \$93,690, respectively.

(Continued)

THE COMMUNITY FOUNDATION OF SOUTHERN NEW MEXICO AND AFFILIATE

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2013 AND 2012

7. LAND HELD FOR INVESTMENT

In 2010, the Foundation received two parcels of real estate, one with an estimated fair market value of \$30,000 and the other with a fair market value of \$25,000. The Foundation agreed to not sell the land for less than the \$30,000 and \$25,000, respectively, over the next two years. In 2012, the Foundation sold the land originally estimated to be worth \$30,000 for \$17,000.

In 2009, the Foundation received two tracts of land with an estimate value of \$140,000. The Foundation agreed to not sell the tracts of land for less than \$70,000 each for two years.

8. ACCOUNTS RECEIVABLE

The Foundation paid for the development of the road where the 1st Step building is located. The Foundation will be reimbursed a portion of its costs from the sale of each lot that will be using the road. The original receivable balance was \$323,003 but after receiving payments the balance as of December 31, 2013 and 2012 was \$149,185 and \$149,185, respectively. There were six unsold lots as of December 31, 2013 and six as of December 31, 2012. The developer is paying the re-paving costs of one lot over 15 years.

9. FINE ART

Donated fine art (painting, prints, photographs) received are recorded at fair market value at time of donation. These assets are presented as other assets as they are not for sale at the present time. The carrying amount is based upon the donor's estimated fair market value or acquisition cost.

10. BENEFICIAL INTEREST IN REMAINDER TRUSTS

The Foundation has a beneficial interest in two irrevocable charitable remainder trusts. The Foundation is not the trustee of either trust. The trusts do not provide for a permanent restriction so the beneficial interest is to be shown as temporarily restricted until the terms of the trust have been met. When the terms of the trusts have been met, the remainder interest will revert to the Foundation and at such time be recorded as unrestricted support.

The Trust formed in 1994, has assets with a fair market value of \$ 120,079 as of December 31, 2013 and \$110,157 as of December 31, 2012. The assets are invested in fixed income securities, corporate bonds and notes, mutual funds and equities.

The Trust formed in 1998, has assets with a fair market value of \$144,089 as of December 31, 2013 and \$144,089 as of December 31, 2012. The assets consist of cash, notes and loans receivable and accounts receivable.

The change in the value of the split interest agreements resulted in a increase of \$9,922 in 2013 and an increase of \$2,729 in 2012.

(Continued)

THE COMMUNITY FOUNDATION OF SOUTHERN NEW MEXICO AND AFFILIATE

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2013 AND 2012

11. LEASE COMMITMENTS

The Foundation is obligated under terms of the following rental and/or lease agreements:

Office space - In 2013, the Foundation entered into a lease agreement for additional office space that is to be funded by a grant. The lease is a 3 year lease with monthly payments of \$1,156. The rent will increase 3% on the renewal date each year.

At December 31, 2013 future minimum lease payments receivable under the lease are as follows:

Year Ended December 31,	Amount
2014	\$ 13,973
2015	14,392
2016	<u>11,035</u>
Future principal payments	<u>\$ 39,400</u>

Copy machine - The Foundation had an operating lease for a copy machine. The lease expired in 2009 and is now month to month. The minimum monthly payment is \$279.

Storage lease - The Foundation leases two storage units on a month to month lease for \$140 per month.

Rental expense for 2013 and 2012 was \$3,785 and \$3,492 respectively. This does not include the donated office space with a value of approximately \$20,000.

12. ENDOWMENTS HELD FOR AGENCIES

Several non profit agencies have donated money to the Foundation to set up endowments naming themselves as beneficiaries. In accordance with FASB ASC, the Foundation has recorded those donations as liabilities. The agency endowment agreements grant variance power to the Foundation's Board of Directors and stipulate the Foundation owns the endowment funds. Donations to those endowments from someone other than the non profit agency itself are treated as contribution revenue of the Foundation. Earnings of the agency portion increase the liability and distributions to the agency decrease the liability.

(Continued)

THE COMMUNITY FOUNDATION OF SOUTHERN NEW MEXICO AND AFFILIATE

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2013 AND 2012

13. TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS AND NET ASSETS RELEASED FROM RESTRICTIONS

Temporarily restricted net assets at December 31, 2013 and 2012 are available for the following purposes:

	2013	2012
Endowment earnings	\$ 1,242,538	\$ 636,727
Charitable remainder trusts	264,168	254,246
Land	165,000	165,000
Special project and contributions	557,219	407,948
Grants	210,823	94,562
Total	<u>\$ 2,439,748</u>	<u>\$ 1,558,483</u>

Permanently restricted net assets at December 31, 2013 and 2012 are available for the following purposes:

	2013	2012
Endowments	<u>\$ 5,418,582</u>	<u>\$ 5,169,308</u>

Net assets released from donor restrictions during 2013 and 2012 by incurring expenses satisfying the restricted purpose as follows:

	2013	2012
Drug free communities grant	\$ -	\$ 130,233
Community programs	379,885	374,050
Agency distributions	980,068	395,068
Scholarships	25,386	22,750
Land	-	30,000
Adolescent services	-	313,085
Total released from restriction	<u>\$ 1,385,339</u>	<u>\$ 1,265,186</u>

14. RELATED PARTY TRANSACTIONS

The employer of one Board member donates the office space used by the Foundation. The estimated fair market value of the donated rent is \$20,000 per year. In 2013, the Foundation entered into a new lease to rent additional office space. The lease is for three years. The Foundation paid approximately \$3,500 in 2013.

(Continued)

THE COMMUNITY FOUNDATION OF SOUTHERN NEW MEXICO AND AFFILIATE

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2013 AND 2012

14. RELATED PARTY TRANSACTIONS (Continued)

A board member works for the accounting firm that prepares the Foundation's payroll and payroll reports.

The Board of Directors is aware of the above mentioned transactions and believes all transactions with Board members are "arm's length" transactions.

15. CONCENTRATION OF CREDIT RISK

The cash balances of the Foundation may from time to time exceed the FDIC insurance but the Foundation has not incurred any losses and management feels the risk would be minimal. At December 31, 2013 the uninsured amount was \$364,040.

16. BOARD DESIGNATION

As of December 31, 2013 and 2012, the Board has designated \$702,863 and \$601,232, respectively, of unrestricted net assets for the following purposes:

	<u>2013</u>	<u>2012</u>
1 st Step Center	\$ 330,105	\$ 310,287
Healthcare	91,039	86,993
Building maintenance	218,555	143,524
Residency program	14,761	14,105
Empowering women	30,741	29,393
Literacy	10,980	10,379
Breast Cancer	6,682	6,551
Total	<u>\$ 702,863</u>	<u>\$ 601,232</u>

17. INVESTMENTS-DONOR-DESIGNATED ENDOWMENTS

The Organization's endowment consists of approximately 165 individual funds established for a variety of purposes. Its endowment includes both donor-restricted funds and funds designated by the Board of Trustees to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence of donor-imposed restrictions.

(Continued)

THE COMMUNITY FOUNDATION OF SOUTHERN NEW MEXICO AND AFFILIATE

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2013 AND 2012

17. INVESTMENTS-DONOR-DESIGNATED ENDOWMENTS (Continued)

The Board of Trustees of the Organization has required the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization. The Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Organization, and (7) the Organization's investment policies.

Investment Return Objectives, Risk Parameters and Strategies. The Organization has adopted investment and spending policies, approved by the Board of Trustees, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well diversified asset mix, which includes equity and debt securities, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution of 3%, while growing the funds if possible. Therefore, the Organization expects its endowment assets, over time, to produce an average rate of return of approximately 8% annually. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

Spending Policy. The Organization has a policy of appropriating for distribution each year 3% of its endowment fund's average fair value of the prior 12 quarters through the calendar year-end preceding the fiscal year in which the distribution is planned. In establishing this policy, the Organization considered the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, many of which must be maintained in perpetuity because of donor-restrictions, and the possible effects of inflation. The Organization expects the current spending policy to allow its endowment funds to grow at a nominal average rate of 3% annually, which is consistent with the Organization's objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through investment return.

(Continued)

THE COMMUNITY FOUNDATION OF SOUTHERN NEW MEXICO AND AFFILIATE

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2013 AND 2012

17. INVESTMENTS-DONOR-DESIGNATED ENDOWMENTS (Continued)

Endowment net asset composition by type of fund as of December 31, 2013 and 2012 is as follows:

2013	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Net Endowment Assets
Donor-restricted endowment funds	\$ -	\$ 1,242,538	\$ 5,418,582	\$ 6,661,120
Board-designated endowment funds	1,693,571	-	-	1,693,571
Total funds	<u>\$ 1,693,571</u>	<u>\$ 1,242,538</u>	<u>\$ 5,418,582</u>	<u>\$ 8,354,691</u>

2012	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Net Endowment Assets
Donor-restricted endowment funds	\$ -	\$ 636,727	\$ 5,169,308	\$ 5,806,035
Board-designated endowment funds	1,554,940	-	-	1,554,940
Total funds	<u>\$ 1,554,940</u>	<u>\$ 636,727</u>	<u>\$ 5,169,308</u>	<u>\$ 7,360,975</u>

Changes in endowment net assets as of December 31, 2013 and 2012 are as follows:

2013	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Net Endowment Assets
Endowment net assets, beginning of year	\$ 1,554,940	\$ 636,727	\$ 5,169,308	\$ 7,360,975
Contributions	9,264	-	182,098	191,362
Investment income	54,005	379,524	67,176	500,705
Net appreciation (depreciation)	75,362	668,499	-	743,861
Realized gain	-	3,866	-	3,866
Amounts appropriated for expenditure	-	(446,078)	-	(446,078)
Endowment net assets, end of year	<u>\$ 1,693,571</u>	<u>\$ 1,242,538</u>	<u>\$ 5,418,582</u>	<u>\$ 8,354,691</u>

(Continued)

THE COMMUNITY FOUNDATION OF SOUTHERN NEW MEXICO AND AFFILIATE

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2013 AND 2012

17. INVESTMENTS-DONOR-DESIGNATED ENDOWMENTS (Continued)

2012	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Net Endowment Assets
Endowment net assets, beginning of year	\$ 1,504,151	\$ 388,383	\$ 2,482,113	\$ 4,374,647
Contributions	-	-	2,665,476	2,665,476
Investment income	50,789	215,841	21,719	288,349
Net appreciation (depreciation)	-	602,781	-	602,781
Realized gain	-	3,161	-	3,161
Amounts appropriated for expenditure	-	(573,439)	-	(573,439)
Endowment net assets, end of year	<u>\$ 1,554,940</u>	<u>\$ 636,727</u>	<u>\$ 5,169,308</u>	<u>\$ 7,360,975</u>

18. FAIR VALUE MEASUREMENTS

Fair values of assets measured on a recurring basis at December 31, 2013 and 2012 are as follows:

<u>Fair Value Measurements at Reporting Date Using</u>				
	Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs	
	Fair Value	(Level 1)	(Level 2)	(Level 3)
December 31, 2013				
Investments	\$ 9,837,641	\$ 9,867,641	\$ -	\$ -
Beneficial Interest in Charitable Remainder Trusts	264,168	-	-	264,168
Property Held for investment	165,000	-	165,000	-
Total	<u>\$ 10,266,809</u>	<u>\$ 9,867,641</u>	<u>\$ 165,000</u>	<u>\$ 264,168</u>

(Continued)

THE COMMUNITY FOUNDATION OF SOUTHERN NEW MEXICO AND AFFILIATE

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2013 AND 2012

18. FAIR VALUE MEASUREMENTS (Continued)

		<u>Fair Value Measurements at Reporting Date Using</u>			
		<div> <div>Quoted Prices</div> <div>in Active</div> <div>Markets for</div> <div>Identical Assets</div> </div> <div> <div>Significant Other</div> <div>Observable</div> <div>Inputs</div> </div> <div> <div>Significant</div> <div>Unobservable</div> <div>Inputs</div> </div>			
		Fair Value	(Level 1)	(Level 2)	(Level 3)
December 31, 2012					
Investments	\$	8,650,514	\$ 8,650,514	\$ -	\$ -
Beneficial Interest in Charitable					
Remainder Trusts		254,246	-	-	254,246
Property Held for investment		165,000	-	165,000	-
Total	\$	9,069,760	\$ 8,650,514	\$ 165,000	\$ 254,246

Asset measured at fair value on a recurring basis using significant unobservable inputs (Level 3):

	<u>Remainder Trust</u>
January 1, 2012	\$ 251,517
Unrealized gain	<u>2,729</u>
December 31, 2012	<u><u>\$ 254,246</u></u>
	<u>Remainder Trust</u>
January 1, 2013	\$ 254,246
Unrealized gain	<u>9,922</u>
December 31, 2013	<u><u>\$ 264,168</u></u>

Financial assets valued using level 1 are based upon unadjusted quoted market prices within active markets. Financial assets valued using level 2 inputs are based primarily on quoted prices for similar assets in active or inactive markets. Fair value for the beneficial interest in the charitable remainder trust (level 3) is estimated fair market value.

THE COMMUNITY FOUNDATION OF SOUTHERN NEW MEXICO AND AFFILIATE

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2013 AND 2012

19. COMMITMENTS AND CONTINGENCIES

Revenue received from government grants are subject to audit by federal and state agencies. As a result of an audit, retroactive adjustments could be made that would require the Foundation to return a portion of the funds. Management believes that such audits would not have a material impact on the revenue received.

20. SUBSEQUENT EVENTS

Subsequent events were evaluated through April 22, 2014, which is the date the financial statements were available to be issued.